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HEALTH

Pharmacies Swept Into Drug Wars

By Devlin Barrett And Timothy W. Martin

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Federal drug agents and one of the nation's biggest drug distributors are heading for a legal showdown that will test the government's strategy of going after larger corporations to fight rampant prescription drug abuse.

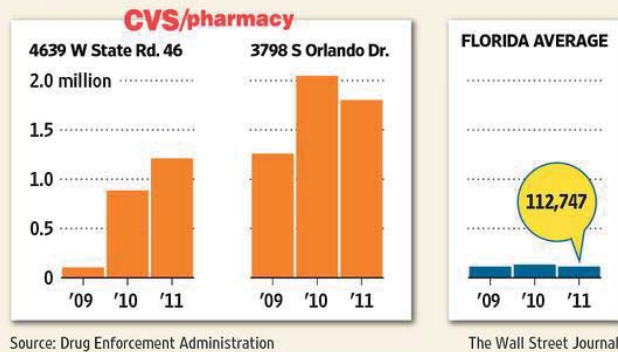
The Drug Enforcement Administration moved earlier this month to suspend four pharmacies in Sanford, Fla., from selling controlled substances. The DEA said the four, including two CVS locations, were dispensing "staggering" amounts of oxycodone, a pain medication that has spawned a huge and deadly black market.

At the same time, the DEA also moved to punish the supplier of the pharmacies—Cardinal Health Inc. [CAH +0.41%](#) —by seeking to block the distribution of controlled substances from Cardinal's facility in Lakeland, Fla. Cardinal is the second-largest pharmaceutical distributor in the nation, with revenue last year of more than \$100 billion.

Cardinal last year shipped enough oxycodone to Sanford to give 59 of the pills to every man, woman, and child there, the DEA says. Oxycodone is a narcotic that produces effects similar to morphine.

Drug Distribution

Sales of oxycodone at two CVS pharmacies in Sanford, Fla., compared with the state average, in millions of tablets



The moves against Cardinal and CVS owner CVS Caremark Corp. [CVS +0.36%](#) mark the latest and most aggressive efforts by the DEA to combat prescription drug abuse. Its strategy centers on the idea that it shouldn't just target individual doctors or patients but also the large industry players that feed the

pills down to the grass roots.

The DEA says retail chains and their suppliers should closely monitor where their drugs are going and act quickly on signs of diversion—in essence, pushing those companies to play an active role in policing abuse.

The companies deny wrongdoing and say they moved quickly when signs of problems emerged.

After learning of the DEA investigations last fall, CVS says it informed "a small number of Florida physicians" that it would stop filling prescriptions signed by them. That has led to an 80% drop of oxycodone sales, "in large part due to our action," a CVS spokeswoman said.

Cardinal said that in the past four years, it has suspended shipments to more than 375 pharmacy customers—including more than 180 in Florida.

DEA Administrator Michele Leonhart outlined the government's approach in 2008 testimony to Congress when asked how the agency planned to stop the growing problem of Internet pharmacies distributing large amounts of hydrocodone and other drugs.

"Instead of chasing the ants at the picnic, we have decided we had to find out what the chokepoint was and use that. And we found the perfect chokepoint," Ms. Leonhart told lawmakers, referring to distributors.



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Later that year, Cardinal paid a \$34 million fine to settle allegations it had failed to prevent supplies from being diverted. The company didn't admit wrongdoing.

The number of yearly deaths from painkiller overdoses nearly quadrupled in a decade, reaching nearly 15,000 in 2008, according to a recent report from the Centers for Disease Control and Prevention. In some states, deaths from prescription painkiller overdoses surpass those from traffic accidents.

While many Americans use the medications as they're intended, enough painkillers were prescribed last year to medicate every American adult around the clock for a month, the CDC said.

Sanford, Fla., a blue-collar suburb north of Orlando with a population of 54,000, passed legislation last spring that banned any new pain clinics from being built within city limits.

Mayor Jeff Triplett said the city commission took action after noticing suspicious-looking people frequently gathered around the town's one pain clinic. "We decided at that point in time, we didn't want two, three, four or five or six of them," Mr. Triplett said. "As local leaders, we have to do everything we can to keep these pain killers out of our communities."

Oxycodone pills often sell for a little less than a dollar each when purchased legitimately with a prescription. On the street the same pill can cost \$15 to \$20.

The DEA contends in court papers that in recent months it repeatedly has tried to get Cardinal to follow agreed-to procedures to monitor misuse of oxycodone, but the company allegedly failed to take action. Cardinal says in some instances it has more stringent monitoring than the DEA.

Cardinal says it wants clearer guidance from the DEA on how to police its customer base of pharmacies and hospitals. "We do not write prescriptions. We do not dispense controlled medicines. Nor do we license pharmacies," Chief Executive George Barrett told investors in a call earlier this month. "Our role is as a distributor."

The DEA cites the three million pills shipped to two CVS pharmacies in Sanford, Fla., in 2011 as evidence of what it says was an obvious problem.

According to the DEA, those two pharmacies and two additional ones in Sanford received 50 times the volume of oxycodone that the average Florida pharmacy receives.

After the DEA announced the suspensions, Cardinal and CVS immediately went to court to get temporary restraining orders blocking the government's move. The two pharmacies have agreed not to provide oxycodone while the dispute is heard in court.

"This is a supplier with a demonstrated track record of problems," Justice Department lawyer Clifford Reeves said Monday at a hearing before Judge Reggie Walton at U.S. District Court in Washington, D.C.

At the hearing, Cardinal's lawyer, Randolph Moss, argued the DEA had taken "a draconian action" that violated the company's due-process rights. He said it was unjust to deprive Cardinal of potentially significant revenue without fuller court review.

Judge Walton didn't make any final decisions and scheduled a follow-up hearing later this month.

Though the dispute centers around a single distribution facility and two pharmacies, the implications for both sides are nationwide—as evidenced by the dozens of lawyers who packed Monday's hearing.

Distributors like Cardinal buy mass quantities of prescription drugs from manufacturers like Pfizer Inc. [PFE](#) and Novartis AG. They then distribute the product to pharmacies, doctors' offices and hospitals.

The three biggest distributors are McKesson Corp. [MCK +1.16% ▲](#), Cardinal and AmerisourceBergen Corp. [ABC +0.50% ▲](#)

The DEA has scrutinized those companies in recent years. McKesson paid more than \$13 million in civil penalties in 2008 for not reporting suspicious orders of prescription

drugs from 2005 to 2007, according to the Justice Department.

AmerisourceBergen declined to comment. A McKesson spokeswoman said the company is "committed to fulfilling our role in protecting the integrity of the pharmaceutical supply chain."

Gary Boggs, a top official in the DEA's Office of Diversion Control, said some distributors aren't doing enough, despite signs of abuse by the pharmacies and doctors they supply.

"The average pharmacy in the United States dispenses somewhere around 69,000 dosage units of oxycodone in a year," he said. "Some of these companies are distributing million-plus dosage units to a single pharmacy. It's glaring red flags and it's just being ignored."

All but two states have prescription-drug monitoring programs that tip off doctors or pharmacists to patients amassing large amounts of painkillers. Florida introduced its program in September, including a ban on physicians directly dispensing certain pain killers. In 2010, before the wave of laws went into effect, Florida had 98 of the top 100 dispensing practitioners of oxycodone, according to the DEA. Now Florida has just 11 of the highest-volume dispensers.

Pharmacies with DEA registration are free to choose any distributor they like. Even if the DEA is allowed to revoke the controlled-substances license from Cardinal's Lakeland, Fla., facility, its clientele of more than 2,500 pharmacies could still be supplied by one of two other Cardinal distribution centers in the South, the company says.

—Evan Perez contributed to this article.

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